

November 3, 2000

Dear Sir/Madam:

RP-2000-0069 Proceeding on Minister's Directive, Dated June 7, 2000
Electricity Distribution Rate Handbook, Revision 1 - Chapters 1, 3, 4, 5, 6 and 12

Enclosed please find copies of revised (Revision 1) Chapters 1, 3, 4, 5, 6, and 12 of the Electricity Distribution Rate Handbook. These revisions result from the Board's Decision on its proceeding related to the Minister's Directive dated June 7, 2000 (RP-2000-0069). To keep your copy of the Rate Handbook current please replace Version 0 of these chapters with Version 1.

All electricity distribution utilities must file or re-file their evidence for 2000 - 2001 rate applications by November 30, 2000. These applications are for distribution rates exclusive of Payment in Lieu of Taxes (PILs). The Board will issue further direction on the adjustment of distribution rates for PILs prior to proclamation of Section 93 of the *Electricity Act, 1998*. Utilities who are filing revised applications must submit copies of the revised application to all intervenors of record.

The principal changes (and applicable chapter sections) are highlighted below:

1. The revenue requirement of a market-based revenue requirement must be phased-in equally over the three years of the first generation PBR plan (section 3.4). The provision for the deferral of market adjusted revenue requirement foregone in the phasing-in process no longer applies (section 3.4). The earnings-sharing mechanism also no longer applies.
2. With regard to transition re-engineering costs, the Decision specifies the initiation of a review of the appropriate timing and mechanism toward the recovery of these costs following market opening (section 5.5). The eligibility criteria for recording transition re-engineering and extraordinary event costs remain unchanged.
3. In terms of service reliability and quality, the Decision reaffirms the current provisions contained in the Rate Handbook.

4. The level of 10% within class rate impact guideline related to rate restructuring remains in effect as does the two-part distribution rate design. As such, the Rate Design and Unbundling (RUD) Model in its present form remains the vehicle for the rate unbundling and design process. However, given the Board's decision requiring the phasing-in of market-based revenue requirement equally over three years as well as the decision to disallow the deferral of related foregone revenue, the following procedure should be followed. In determining the incremental revenue requirement for Year One, the "Change in Revenue Required" on Sheet 7 [MARR (NO TAX) CALCULATIONS] of the RUD model must be divided by three to derive the "Change in Revenue to Be Allocated". Further the "Deferred Amount (if any)" must be set at 0.
5. The Board has also allowed flexibility in billing GS customers who stray over the 50kW threshold once initial unbundled rates have been set. Utilities can continue to bill GS customers who cross the 50kW threshold as under 50kW customers up to a demand level of 100 kW (Section 4.1.1). It should be noted that this does not affect the RUD model and the categorization of under and over 50kW customers for the purposes of unbundling based on 1999 data.

A return on equity level of 9.88%, the applicable debt rates, as well as the data filing requirements, including financial, energy delivery, and PBR data, as set out in the March 9, 2000 version of the Rate Handbook remain in effect for the 2000 - 2001 rate applications. As such, complete data filings are required as part of the rate applications due by November 30, 2000 (section 12.2).

The term of the first generation PBR plan has been adjusted with years two and three rate adjustments on March 1 of 2002 and 2003, and termination of the plan on March 1, 2004 (section 6.2 and 12.2).

While highlights of the revisions are described here, a close read of the enclosed revised chapters is advised for guidance in the preparation of rate applications.

Yours truly

Paul B. Pudge
Board Secretary